CONNECTICUT
CONFERENCE OF
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THE VOICE OF LOCAL GOVERNMENT

TESTIMONY

of the

CONNECTICUT CONFERENCE OF MUNICIPALITIES

to the

APPROPRIATIONS COMMITTEE

March 20, 2009

CCM is Connecticut's statewide association of towns and cities and the voice of local governments - your partners in governing Connecticut. Our members represent over 93% of Connecticut's population. We appreciate this opportunity to provide testimony to you on issues of concern to towns and cities.

S.B. 43, "An Act Establishing The United Municipal Assistance Grant Program"

This bill would (a) eliminate the present Town Aid Roads (TAR) and Local Capital Improvement Program (LoCIP) grants, (b) create a new United Municipal Assistance Grant Program funded at $42 million in each of the next two fiscal years.

The new Municipal Assistance Grant Program would:

(a) Allow for expenditures similar to the programs' present allowed expenditures, and provide $36 million for expenditures similar to TAR, and $36 million for expenditures similar to LoCIP for the next two fiscal years;
(b) Provide that one-third of each grant to be used at the discretion of the chief executive official and the legislative body of the municipality for other expenditures; and,
(c) Give an incentive for regional or multi-town cooperation.

There is unquestionably a need at the local level for more infrastructure assistance – and this bill would provide $20 million more in funding for infrastructure than the amounts in the Governor's proposed budget ($22 million for TAR, $30 million for LoCIP).

That's welcome, as is the proposal for greater local discretion – municipal officials are accountable to their voters and, especially in these difficult economic times, need flexibility to be able to meet the needs of their citizens. It is an appropriate step forward for the state-local partnership.

However, CCM urges the Committee **to provide that the distribution formulas used in this new program are the same as in the present TAR and LoCIP programs** – that is, no municipality should be in danger of receiving less, or a smaller proportion, than it presently receives from TAR and LoCIP.

Background: Why More Assistance Is Needed

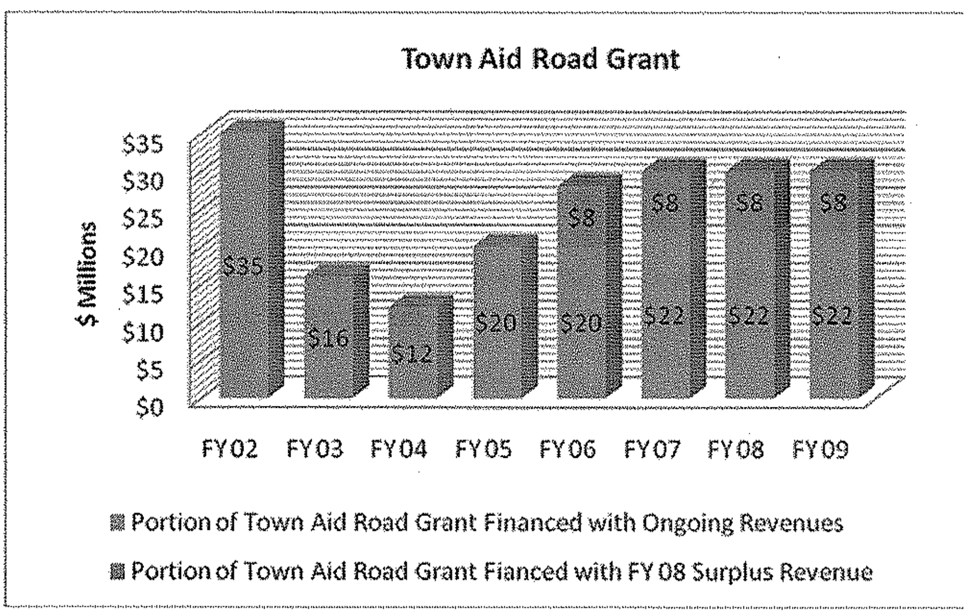
Local governments are responsible for maintaining the majority of Connecticut's roads and bridges. **Municipalities own and maintain 17,115 road miles, more than four times the 4,079 road miles owned and maintained by the State**[1]. Yet in recent years, state aid has lagged behind the need. At present there are three major state grant programs to help municipalities pay for infrastructure projects.

Town Aid Roads (TAR)

The **Town Aid Roads** grant (TAR) helps fund the construction, improvement and maintenance of local roads and bridges. This money may also be used for a variety of programs related to roads, traffic, and parking. Local governments depend on TAR, so when TAR is cut or funding is stagnant, local road projects do not go forward, meaning cost of repair will be even higher when finally undertaken. Shortchanging TAR is pennywise, pound-foolish.

The present biennial budget provides $30 million for TAR each year. This amount, constant since 2006, is still less than the amount that was allocated in FY 01-02 ($35 million). Moreover, in 2003 the mid-year budget cuts slashed TAR funding to $16 million for that year and just $12 million for FY 2004. **TAR funding has never recovered from the 2003 cuts.** In the meantime the cost of repair and maintenance has continued to rise. That has meant increased pressure on local budgets and deferred maintenance. Deferring work on roads only increases the eventual cost of repair. So, while TAR grants fell behind, local costs rose.

Alarmingly, in each of the past two years, $8 million of the TAR allocation was paid using surplus funds from previous years. But now that the state budget is in deficit those funds are no longer available. That means that without further action by the legislature TAR funding will automatically fall to $22 million next year – the amount proposed by Governor Rell in her budget.



[1] ConnDOT

Local Capital Improvement Program (LoCIP)

The **Local Capital Improvement Program (LoCIP)** is a state bond-funded program that distributes funds to municipalities to reimburse the cost of eligible local capital improvement projects such as road, bridge or public building construction activities. Statutes state specifically the type of projects for which LoCIP funds can be used. For example, LoCIP can be used to pay for such things as road, bridge or public building construction activities. LoCIP has been flat-funded at $30 million since its inception.
While state aid for TAR has lagged, and LoCIP has stayed flat, the buying power of the dollar has weakened. A dollar no longer goes as far as it used to. According to the Federal Reserve Bank of New York, **the value of the US dollar has declined 40% over the last 6 years.**[2]

Local Bridge Program

Beyond roads, Connecticut's municipal governments are responsible for the construction and maintenance of over 1,200 local bridges greater than 20 feet in length, and another 2,100 between 6' and 20'. Those bridges – an important part of our transportation network – need help. Yet funding for the state-funded Local Bridge Program has fallen woefully behind.

Connecticut's local bridges need to be a state priority – about **37% of locally owned bridges greater than 20 feet in length are deficient and present safety dangers to the public** - - and liability risks to municipalities. About 25% of the shorter bridges (6' – 20') are deficient.[3]

The Local Bridge Program has not received <u>any</u> new state bond authorizations since FY 1991. In the intervening years, projects that received funding from the State were financed using repayments from loans for earlier projects or available federal funds. That is insufficient.

Alarmingly, the General Assembly and Governor agreed in February to transfer $28 million of the $35 million in the Program Fund to the state's General Fund, as part of deficit mitigation efforts. But those funds were already committed to local projects – meaning that either (a) projects will not go forward, imperiling safety, or (b) municipalities and their property taxpayers will have to eat the cost.

A renewed commitment to the state Local Bridge Program is crucial – there needs to be significant new funding for it. The safety of the traveling public demands it.

Can The State Afford It?

The simple answer is that the State can't afford <u>not</u> to invest in local infrastructure – because the bill for maintenance and repair will grow for every year of delay.

Obviously state general fund revenues are tighter than usual this year. The State could also bond for more infrastructure aid to municipalities – bonding is appropriate for infrastructure investment because the benefits are felt statewide and over a long period of time. Although Connecticut's debt burden is often cited as being one of the highest in the country per capita, a better test of our state's ability to do more bonding is to examine debt according to what the public can afford – and the best measurement of that is to compare debt to income.

(Over)

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[2] About.com: U.S. Economy, *Value of U.S. Dollar Compared to Other Currencies*, 2008 http://useconomy.about.com/od/tradepolicy/p/Dollar_Value.htm.

[3] Source: Connecticut Department of Transportation; 209 local bridges are rated "structurally deficient", 414 are rated "functionally obsolete" and 495 are rated "totally deficient".

Many professionals, including David Osborne during his February 2, 2009 presentation at the Connecticut Legislative Office Building, suggest that Connecticut would appear to have a higher burden when the data is viewed per capita, but that tax as a percent of income is the fairest measure of tax burden. Using that measurement for bonding, the state is in the middle of the pack: **Connecticut (including state and local government) ranks 24th in the nation for Interest on General Debt per $1,000 of income, and 28th in the nation for Total Outstanding Debt per $1,000 of income.**

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Summary

The improvement and maintenance of our state's entire public infrastructure is linked to economic development. Investment in these systems as a whole will provide Connecticut with additional private-sector investment, create much-needed jobs and provide additional tax revenues to fund public services in our state.

An aggressive, state program to assist municipalities in repairing and building infrastructure is a necessary component of reinvesting and stimulating the state and local economies. Such a program would (a) help local governments and reduce the unfair burden on property tax payers, (b) enable needed projects with long-term benefits to go from the drawing board to completion, and (c) create jobs.

It will not be inexpensive, but the costs of inaction are much higher and dire.

Local officials look to the State and federal governments to help meet the challenge of renewing and invigorating local infrastructure. It is a great example of a partnership where all levels of government can contribute resources to address a statewide problem.

We look forward to working with you on this bill to get the job done.

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